

STATE OF SOUTH CAROLINA

(Caption of Case)

Application of May River Water Company, Inc. for
Adjustment of Rates and Charges and Modifications
of Certain Terms and Conditions for the Provision of
Water Service

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET
NUMBER: 2010 - 132 - W

(Please type or print)

Submitted by: Margaret M. Fox, Esquire

SC Bar Number: 65418

Address: McNair Law Firm, P. A.

Telephone: 803-799-9800

P. O. Box 11390

Fax: 803-753-3219

Columbia, SC 29211

Other:

Email: pfox@mcnair.net

NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition

☐ Request for item to be placed on Commission's Agenda
expeditiously

☐ Other:

| INDUSTRY (Check one) | NATURE OF ACTION (Check all that apply) | | | |
|--|--|--|--|--|
| <input type="checkbox"/> Electric | <input type="checkbox"/> Affidavit | <input type="checkbox"/> Letter | <input type="checkbox"/> Request | |
| <input type="checkbox"/> Electric/Gas | <input type="checkbox"/> Agreement | <input type="checkbox"/> Memorandum | <input type="checkbox"/> Request for Certification | |
| <input type="checkbox"/> Electric/Telecommunications | <input type="checkbox"/> Answer | <input type="checkbox"/> Motion | <input type="checkbox"/> Request for Investigation | |
| <input type="checkbox"/> Electric/Water | <input type="checkbox"/> Appellate Review | <input type="checkbox"/> Objection | <input type="checkbox"/> Resale Agreement | |
| <input type="checkbox"/> Electric/Water/Telecom. | <input type="checkbox"/> Application | <input type="checkbox"/> Petition | <input type="checkbox"/> Resale Amendment | |
| <input type="checkbox"/> Electric/Water/Sewer | <input type="checkbox"/> Brief | <input type="checkbox"/> Petition for Reconsideration | <input type="checkbox"/> Reservation Letter | |
| <input type="checkbox"/> Gas | <input type="checkbox"/> Certificate | <input type="checkbox"/> Petition for Rulemaking | <input type="checkbox"/> Response | |
| <input type="checkbox"/> Railroad | <input type="checkbox"/> Comments | <input type="checkbox"/> Petition for Rule to Show Cause | <input type="checkbox"/> Response to Discovery | |
| <input type="checkbox"/> Sewer | <input type="checkbox"/> Complaint | <input type="checkbox"/> Petition to Intervene | <input type="checkbox"/> Return to Petition | |
| <input checked="" type="checkbox"/> Telecommunications | <input type="checkbox"/> Consent Order | <input type="checkbox"/> Petition to Intervene Out of Time | <input type="checkbox"/> Stipulation | |
| <input type="checkbox"/> Transportation | <input type="checkbox"/> Discovery | <input checked="" type="checkbox"/> Prefiled Testimony | <input type="checkbox"/> Subpoena | |
| <input type="checkbox"/> Water | <input type="checkbox"/> Exhibit | <input type="checkbox"/> Promotion | <input type="checkbox"/> Tariff | |
| <input type="checkbox"/> Water/Sewer | <input type="checkbox"/> Expedited Consideration | <input type="checkbox"/> Proposed Order | <input type="checkbox"/> Other: _____ | |
| <input type="checkbox"/> Administrative Matter | <input type="checkbox"/> Interconnection Agreement | <input type="checkbox"/> Protest | | |
| <input type="checkbox"/> Other: _____ | <input type="checkbox"/> Interconnection Amendment | <input type="checkbox"/> Publisher's Affidavit | | |
| | <input type="checkbox"/> Late-Filed Exhibit | <input type="checkbox"/> Report | | |

Print Form

Reset Form

MCNAIR
ATTORNEYS

Margaret M. Fox

pfox@mcnair.net
T (803) 799-9800
F (803) 753-3219

December 10, 2010

Ms. Jocelyn Boyd
Chief Clerk and Administrator
South Carolina Public Service Commission
Synergy Business Park, The Saluda Building
101 Executive Center Drive
Columbia, South Carolina 29210

Re: Application of May River Water Company, Inc. for Adjustment of Rates
and Charges and Modifications to Certain Terms and Conditions for the
Provision of Water Service
Docket No. 2010-132-W

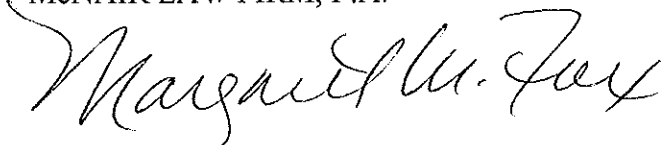
Dear Ms. Boyd:

Enclosed for filing in the above-referenced matter, please find the Testimony of Joseph Highsmith. By copy of this letter and Certificate of Service, all parties of record are being served by U. S. Mail with a copy of Mr. Highsmith's Testimony.

Thank you for your assistance.

Very truly yours,

McNAIR LAW FIRM, P.A.



Margaret M. Fox

MMF/rwm
Enclosures

cc: Parties of Record

McNair Law Firm, P. A.
1221 Main Street
Suite 1600
Columbia, SC 29201

Mailing Address
Post Office Box 11390
Columbia, SC 29211

mcnair.net

**BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2010-132-W**

IN RE:

| | | |
|---|----------------------------|---|
| Application of May River Water Company, Inc. for adjustment of rates and charges for the provision of water service. |)))) _____) | DIRECT TESTIMONY OF JOSEPH HIGHSMITH |
|---|----------------------------|---|

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Joseph Highsmith. My business address is 4 Executive Park Road,
3 Hilton Head, SC 29928.

4

5 **Q. WHERE ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am the owner and CEO of Highsmith Construction Inc., located at 4 Executive Park
7 Road, Hilton Head Island, SC 29928.

8

9 **Q. WHERE IS YOUR LEGAL RESIDENCE?**

10 A. My residential address is 41 Pine View Drive, Bluffton, SC 29910, which is part of
11 the May River Plantation. I have lived at this address since 2004.

12

13 **Q. ARE YOU A MEMBER OF THE MAY RIVER PLANTATION OWNERS**
14 **ASSOCIATION?**

15 A. Yes, I am. I have been elected to serve on the Board of the May River Plantation
16 Owners Association ("MRPOA") as its Vice President, starting in Jan. 2011.

17

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

2 A. The purpose of my testimony is to contest the May River Water Co.'s application for
3 an adjustment of rates and charges for provision of water to the May River Plantation
4 subdivision. I will be providing the commission with a chart detailing the actual
5 amounts customers would be paying if the rate increase were to be approved in full,
6 rather than the "average" estimates provided by MRW. Further, I will present two
7 different proposals by South Carolina management companies reflecting the costs of
8 providing these services to the MRPOA should we own and operate our own well
9 system.

10

11 **Q. DID YOU CALCULATE THE EFFECT OF THE PROPOSED RATE**
12 **INCREASE ON INDIVIDUAL CUSTOMERS IN THE MRP?**

13 A. Yes. I would like to draw your attention to the chart in Exhibit JH-6. Here you will
14 see the high percentage of increase in the cost of water that MRW is proposing. For
15 4,000 gallons a month, the current rate of \$30 would increase to \$83, which is nearly
16 triple. However, until now the base rate of \$30 has included 10,000 gallons per
17 month usage. The current rate for 10,000 gallons of \$30 per month will increase four
18 times to \$120 per month. There are no other water utilities listed on the psc.gov
19 website which have this high of a rate.

20

1 **Q. HAS MRPOA INVESTIGATED THE COST TO HAVE SOUTH CAROLINA**
2 **COMPANIES PROVIDE THE SAME SUBCONTRACT SERVICES SHOWN**
3 **IN THE QUOTES SOLICITED BY MRW FROM GEORGIA COMPANIES**
4 **TO OPERATE THE SYSTEM AND ARE THEY VERIFIED BY**
5 **AFFIDAVITS?**

6 A. Yes. We have solicited quotes from two licensed and qualified ‘D’ operators, one
7 CPA firm for billing, one testing lab for monthly water quality tests, and one
8 plumbing service to provide 24/7 on call services. These proposals are attached to
9 my testimony as Exhibits JH-1 through JH-5. These proposals are much lower than
10 the estimates obtained by MRW from Georgia management companies. (see Exhibits
11 TS-1 and TS-2 Mr. Smith’s prefiled direct testimony on behalf of MRW). We also
12 do not see any reason why MRW’s labor and management costs would have risen
13 from \$5,620 in the 2006 test year to over \$30,000 (plus an additional \$2,760 in
14 “rents”) in the 2009 test year.

15
16 **Q. HAVE THESE PROPOSALS BEEN COMPARED TO THOSE SUBMITTED**
17 **BY MRW AND THE OTHER THREE GA MANAGEMENT COMPANIES ?**

18 A. Yes. Exhibit JH-7 shows the tabulation of these proposals indicating the ability to
19 run the well system according to the regulations and requirements of the PSC and
20 DHEC for between \$5,538 and \$6,120 using South Carolina management companies.
21 These numbers are very close to the reflected costs of South Atlantic Utilities
22 (“SAU”) for over 34 years prior to the separation of MRW as a separate entity in
23 2008. (See Exhibit JH-8, which is part of Exhibit 1 to Commission Order No. 2008-
24 92 in Docket No. 2007-319-W, reflecting ORS’ accounting and pro form adjustments

1 approved by the Commission in SAU's 2007 rate case). ORS proposed, and the
2 Commission approved, expenses of \$3,866 for Overhead Allocation, \$889 for
3 Drinking Water Fees, \$780 for Lab Fees, and \$85 for Licenses. The total of these
4 expenses comes to \$5,620.

5 The tabulation of these services is comparable to those proposed by the sub-
6 contractors from Georgia used by MRW to substantiate their contract labor expense
7 claim of \$30,187.75 (\$1,073.75 for professional contract labor, \$2,114 for water
8 testing contract labor, and \$27,000 for "WUM, LLC" contract labor). The cost
9 aggregate of the lower of the combined quotes we solicited yields an annual cost of
10 \$5,538. In addition to the contract labor expense claimed by MRW, they also claim
11 \$2,760 in "rents." While I am not exactly sure what they are paying rent for or why
12 this would not be included in the "management" fee, the MRPOA would not incur
13 any rental costs, so our aggregate cost of \$ 5,538 would include that expense as well.

14
15 **Q. HAS THE MRPOA INVESTIGATED THE COSTS OF RUNNING THE**
16 **WELL SYSTEM ITSELF, WITH THE HELP OF SOUTH CAROLINA**
17 **SERVICE COMPANIES?**

18 A. Yes, we have. If MRPOA were to take over running the well ourselves, the expenses
19 would be no greater than \$10,527, as shown by the pro forma identified as Exhibit
20 JH-9.

21
22 **Q. IS MRPOA WILLING AND ABLE TO TAKE OVER OPERATION OF THE**
23 **MRW SYSTEM?**

24 A. Yes, we are.

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Q. DOES MRPOA HAVE ANY OTHER CONCERNS WITH MRW'S OPERATION OF THE SYSTEM?

A. Yes, we do. We have checked DHEC records and have found a number of instances of non-compliance with DHEC rules and regulations. Most recently, within the last two weeks DHEC issued a Warning Letter to MRW stating that it was in violation of the Primary Drinking Water Regulations, 24A S.C. Code Ann. Regs. 61-58.7(D)(1) (Supp. 2009). A copy of the DHEC letter is attached as Exhibit JH-10. As someone who relies upon the MRW system for my drinking water, this concerns me.

Q. WHAT RELIEF ARE YOU REQUESTING FROM THE COMMISSION?

A. We respectfully request that the Commission deny MRW's request for a rate increase. This increase is excessive and unreasonable, and would increase MRPOA members' rates well above any rates paid by other water customers in South Carolina. We do not believe the expenses MRW has included in its balance sheet, particularly the amounts for contract labor expense and rents, are reasonable, nor are they supported by the evidence. As stated in my testimony, we believe it is certainly possible to operate the MRW system much more inexpensively and more efficiently using South Carolina service companies.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

Charles F. (Chuck) Williams
Water & Wastewater Technical Specialist

3 Cardinal Ct., Ste 364
Hilton Head, SC 29926

Fax: 843 689-2528
Office: 843 816-0441
waterbaron@earthlink.net

Proposal

To: May River Plantation Owners' Association
Attn: Joe Highsmith

Subject: Distribution license coverage

Date: December 2, 2010

Per our conversations, I will be pleased to act as "Operator of Record" for you water system for a base sum of \$300/mo.

This will include weekly inspections. I will maintain weekly records of your master meter readings and document any water main repairs. I will also flush the lines and exercise the valves annually. You will receive a summary report with each month's invoice.

Also included is bacteriological testing by General Environmental Labs. (I am passing through their charge of \$100/mo. that includes sampling and regulatory reporting.)

Not included in the base service charge is reading individual meters. I will be pleased to read meters and maintain records for an additional \$120 per meter reading cycle and will provide you with a usage report for each property on a consolidated spreadsheet.

There may be up to an additional \$300 set up fee if it is necessary for me to generate an operations manual, valve map or other necessary documentation as required by DHEC.

I do not anticipate any need to increase my rates in the coming year, however if General Environmental Labs raises their rates, I will have no choice but to pass on any increase.

Please contact me if this proposal meets your needs.

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2010-132-W

IN RE:)

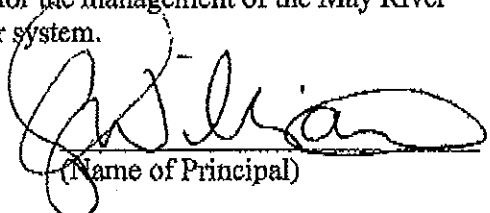
Application of May River Water)
Company, Inc. for adjustment of)
Rates and charges for the provision)
Of water service.)

AFFIDAVIT OF Charles Williams
(Name of Principal)

Personally appeared before me, Charles F. Williams who, after being duly sworn, deposes and states as follows:

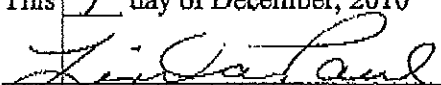
1. I am a citizen and resident of the State of South Carolina, am in excess of eighteen years of age and am competent to make this affidavit. The facts stated in this affidavit are within my personal knowledge and are true and correct.
2. I am the Sole Proprietor of Chuck Williams Company, which provides 'D' Operator services for private water systems in South Carolina.
3. On December 2, 2010, I issued, on behalf of The Chuck Williams Company, a proposal to May River Plantation Owners Association for the management of the water system currently owned and operated by May River Water Company of Savannah, GA and located in Bluffton, South Carolina. A copy of the Proposal is attached hereto and incorporated herein as Exhibit JH-1.
4. As indicated in the Proposal, Chuck Williams Company would charge \$ 300 per month for the management of the May River Plantation subdivision water system.

Signature


(Name of Principal)

SWORN TO AND SUBSCRIBED BEFORE ME

This 7 day of December, 2010


Notary Public for South Carolina

My Commission Expires: DECEMBER 8, 2010

WADE & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Exhibit
JH-2

W. MITCHELL WADE, CPA
CHRISTOPHER M. LINNIMER, CPA*

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOUTH CAROLINA ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS
*ALSO LICENSED IN GEORGIA

December 6, 2010

Homeowners Association Board
May River Plantation
41 Pine View Drive
Bluffton, South Carolina 29910

Dear Joe:

Thank you for the opportunity to submit a proposal to your homeowner association for the water service.

The basic services indicated below will be provided at a base fee of \$ 100.00 per billing (bi-monthly). Any services not listed below will be billed to the regime at rate of \$50 per hour.

- Billing and statements to all owners on a bi-monthly basis (preferably electronically).
- Receipt and deposit of all payments by the end of the day following receipt.
- Statements sent as needed to owners carrying a balance.
- Routine reports to you or the person chosen as the contact person.

Joe, I don't know how the POA is currently being handled, but we would also appreciate the opportunity to prepare a quote on that as well. I assume your POA is on a semi-annual or annual-billing cycle, and that might be something we could incorporate into the price quoted above.

We will look forward to hearing from you after this is reviewed.

Sincerely,



W. Mitchell Wade, CPA

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2010-132-W

IN RE:

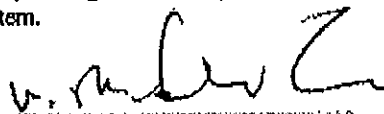
Application of May River Water
Company, Inc. for adjustment of
Rates and charges for the provision
of water service.

AFFIDAVIT OF W. Mitchell Wade
(Name of Principal)

Personally appeared before me, W. Mitchell Wade who, after being duly sworn, deposes and states as follows:

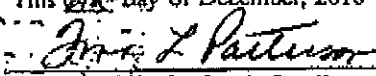
1. I am a citizen and resident of the State of South Carolina, am in excess of eighteen years of age and am competent to make this affidavit. The facts stated in this affidavit are within my personal knowledge and are true and correct.
2. I am the President of Wade and Associates, LLC, which provides full service accounting and tax services in the State of South Carolina.
3. On December 6, 2010, I issued, on behalf of Wade and Associates, a proposal to May River Plantation Owners Association for bi-monthly billing services for the water system currently owned and operated by May River Water Company of Savannah, GA and located in Bluffton, South Carolina. A copy of the Proposal is attached hereto and incorporated herein as Exhibit JH-2.
4. As indicated in the Proposal, Wade and Associates, LLC would charge \$ 100 per bi-monthly billing for the May River Plantation subdivision water system.

Signature


W. Mitchell Wade

SWORN TO AND SUBSCRIBED BEFORE ME

This 21st day of December, 2010


Notary Public for South Carolina

My Commission Expires: _____

MY COMMISSION EXPIRES DECEMBER 27, 2017

Proposal

LAWSON ENVIRONMENTAL

1154 Levy Road

Hardeeville, SC

Office: 843 312-2113

coosawtodd@gmail.com

To: May River Plantation Owners' Association

Attn: Joe Highsmith

Date: November 23, 2010

Mr. Highsmith,

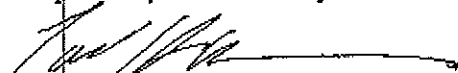
We propose to perform the following services for your Association's water system for the monthly sum of \$179.

- Provide 'D' Operator or better licensing for your well.
- Inspect well and equipment weekly in accordance with SC State requirements.
- Collect monthly coliform water test and deliver to testing lab.
- Implement and perform system flushing program in accordance with SC State requirements.
- Exercise valves in accordance with SC state requirements.

In addition, we will read all individual water meters bi-monthly and transmit readings to book keeper for a per instance charge of \$115.

If required, we will produce a Standard Operating Procedure Manual, Emergency Response Plan, and a Sample Site Plan for the onetime charge of \$150.

Respectfully Submitted by:


Todd Lawson
Lawson Environmental

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2010-132-W

IN RE:

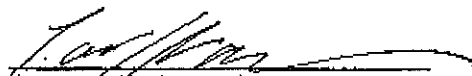
Application of May River Water
Company, Inc. for adjustment of
Rates and charges for the provision
of water service.

AFFIDAVIT OF Todd Lawson
(Name of Principal)

Personally appeared before me, Todd Lawson, who, after being duly sworn,
deposes and states as follows:

1. I am a citizen and resident of the State of South Carolina, am in excess of eighteen years of age and am competent to make this affidavit. The facts stated in this affidavit are within my personal knowledge and are true and correct.
2. I am the Sole Proprietor of Larson Environmental, which provides 'D' Operator services for private water systems in South Carolina.
3. On November 23, 2010, I issued, on behalf of Lawson Environmental Company, a proposal to May River Plantation Owners Association for the management of the water system currently owned and operated by May River Water Company of Savannah, GA and located in Bluffton, South Carolina. A copy of the Proposal is attached hereto and incorporated herein as Exhibit JH-3.
4. As indicated in the Proposal, Lawson Environmental would charge \$ 179 per month for the management of the May River Plantation subdivision water system and \$ 115, per instance to read all member meters.

Signature


(Name of Principal)

SWORN TO AND SUBSCRIBED BEFORE ME

This 7 day of December, 2010


Notary Public for South Carolina

My Commission Expires: DECEMBER 8, 2010

Exhibit
JH-4



PAUL GOOD PLUMBING, INC.

December 7, 2010

May River POA
P. O. Box 836
Bluffton, SC 29910

Dear Sir:

This letter is to confirm that Paul Good Plumbing will be on call 24/7 to take care of any problems associated with existing water system.

Terms to be on call will be \$100.00 per month. Any work done will be \$75.00 per man plus material and sales tax.

Please do not hesitate to give me a call to discuss. My mobile number is 384-5851.

Cordially,

A handwritten signature in black ink, appearing to read "Paul Good", is written over a horizontal line.

Paul Good

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2010-132-W

IN RE:

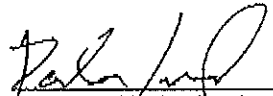
Application of May River Water
Company, Inc. for adjustment of
Rates and charges for the provision
of water service.

AFFIDAVIT OF Paul Good
(Name of Principal)

Personally appeared before me, Paul Good who, after being duly sworn,
deposes and states as follows:

1. I am a citizen and resident of the State of South Carolina, am in excess of eighteen years of age and am competent to make this affidavit. The facts stated in this affidavit are within my personal knowledge and are true and correct.
2. I am the President of Paul Good Plumbing, Inc., which provides general plumbing services to Southern Beaufort County.
3. On December 7, 2010, I issued, on behalf of Paul Good Plumbing, Inc., a proposal to May River Plantation Owners Association for the provision of on call repair service for the May River Plantation water system currently owned and operated by May River Water Company of Savannah, GA and located in Bluffton, South Carolina. A copy of the Proposal is attached hereto and incorporated herein as Exhibit JH-4.
4. As indicated in the Proposal, Lawson Environmental would charge \$ 100 per month for the provision of this service to the May River Plantation subdivision water system.

Signature


(Name of Principal)

SWORN TO AND SUBSCRIBED BEFORE ME

This 7 day of December, 2010


Notary Public for South Carolina

My Commission Expires DECEMBER 8 2010

General Environmental Laboratories, Inc.

P.O. Box 21866
Hilton Head Island, SC 29925
Phone 843.208.2006
Fax 843.208.2006

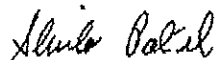
121 Mead Road
Suite 3
Hardeeville, SC 29937

Robert Brewer
May River Plantation Owner's Association
PO Box 836
Bluffton, SC 29910
12/9/10

Dear Mr. Brewer:

General Environmental Laboratories, Inc. is pleased to extend May River Plantation the price for Total Coliform (MF), Method SM9222B at \$75.00 per sample. This price includes sample container, chain of custody, monthly bacteriological sample report to SC DHEC and client. This price does not include sampling. Standard turnaround time is 7 to 10 business days. Accelerated turnaround time is provided with a surcharge. Bacteriological samples are not accepted on Friday unless arrangements are made in advance. Samples received after 3:30pm and weekends will carry a surcharge of \$100.00. Standard payment terms are Net 10 days with an approved credit application. Prices are subject to change January 2011. Thank you for the opportunity to allow General Environmental Laboratories, Inc. to provide you with a quote. If you have any questions please do not hesitate to contact me.

Sincerely,



Sheila Patel

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2010-132-W

IN RE:

Application of May River Water
Company, Inc. for adjustment of
Rates and charges for the provision
of water service.

AFFIDAVIT OF Sheila Patel
(Name of Principal)

Personally appeared before me, Sheila Patel who, after being duly sworn,
deposes and states as follows:

1. I am a citizen and resident of the State of South Carolina, am in excess of eighteen years of age and am competent to make this affidavit. The facts stated in this affidavit are within my personal knowledge and are true and correct.
2. I am the manager of General Environmental Laboratories, Inc., which provides water quality testing services in South Carolina.
3. On December 9, 2010, I issued, on behalf of General Environmental Laboratories, Inc., a proposal to May River Plantation Owners Association for monthly coliform testing of the water of the system currently owned and operated by May River Water Company of Savannah, GA and located in Bluffton, South Carolina. A copy of the Proposal is attached hereto and incorporated herein as Exhibit JH-4.
4. As indicated in the Proposal, General Environmental Laboratories, Inc. would charge \$ 75 per month to test the May River Plantation well water for coliform bacteria from samples taken by others.

Signature

Sheila Patel
Sheila Patel
(Name of Principal)

SWORN TO AND SUBSCRIBED BEFORE ME

This 10th day of December, 2010

John L. Patterson
Notary Public for South Carolina

My Commission Expires: _____

MY COMMISSION EXPIRES DECEMBER 27, 2017

Comparison of Current Billing Rate vs. that Proposed by May River Water

| Usage in Gallons | Current Rate | Proposed Rate | Percentage Rate Increase |
|------------------|--------------|---------------|--------------------------|
| 4,000 | 30 | 83.00 | 177% |
| 6,000 | 30 | 94.00 | 213% |
| 8,000 | 30 | 107.00 | 257% |
| 10,000 | 30 | 120.00 | 300% |
| 12,000 | 34 | 133.00 | 291% |
| 14,000 | 38 | 146.00 | 284% |
| 16,000 | 42 | 159.00 | 279% |
| 25,000 | 60 | 217.50 | 263% |

Current billing structure is at a base rate of \$30/mo. which includes up to 10,000 gallons of usage. \$2.00 per thousand additional above 10K.

New rate structure is at a base rate of \$65/mo. (which includes no water) plus \$4.50 per thousand up to four, \$5.50 per thousand between four and six, and \$6.50 per thousand for anything above six.

COMPARISON OF OPERATING COSTS
FOR MAY RIVER WATER SYSTEM

Costs Given in MRW Application and Watson Testimony

| | |
|-------------------------------------|-----------------|
| Contract Labor- Professional | \$1,073.75 |
| Contract Labor- Water Testing | 2,114.00 |
| Contract Labor- WUM LLC | 27,000.00 |
| Rents | <u>2,760.00</u> |
| Total of MRW Labor/Management Costs | \$32,947.75 |

Costs Proposed by other GA Management in Tom Smith Testimony

| | | |
|-----------------------------|-------------|-------------|
| MSO Water Systems | @\$2,125/mo | \$25,500.00 |
| Lakeside Water Co, Inc | @\$2,250/mo | \$27,000.00 |
| Consolidated Utilities, Inc | @\$3,000/mo | \$36,000.00 |

Costs Proposed by SC Management in Joe Highsmith Testimony

Comparison 1

| <u>SERVICE</u> | <u>PROVIDER</u> | <u>COST PER YR.</u> |
|-------------------------------------|----------------------------|----------------------------|
| 'D' Operator | Charles Williams Co. | \$3,600 |
| Meter Reading | Charles Williams Co. | 720 |
| Testing | (Included in \$3600 Above) | 0 |
| Billing | Wade and Associates | 600 |
| Retainer for 24/7 On Call | Good Plumbing | <u>1,200</u> |
| Total Annual Labor/Management Costs | | \$6,120 |

Comparison 2

| <u>SERVICE</u> | <u>PROVIDER</u> | <u>COST PER YR.</u> |
|---------------------------------------|-----------------------------|----------------------------|
| 'D' Operator | Lawson Environmental | \$2,148 |
| Meter Reading | Lawson Environmental | 690 |
| Testing | General Environmental Labs. | 900 |
| Billing | Wade and Associates | 600 |
| Retainer for 24/7 On Call | Good Plumbing | <u>1,200</u> |
| Total Estimate Labor/Management Costs | | \$5,538 |

Docket No. 2007-319-W

Order No. 2008-92

February 8, 2008

EXHIBIT D

SETTLEMENT AUDIT EXHIBIT CLS-1

South Atlantic Utilities, Inc.
Docket No. 2007-319-W
Operating Experience and Operating Margin for May River Plantation
For the Test Year Ended December 31, 2006

| | (1) | (2) | (3) | (4) | (5) |
|--|--------------------------|---|--|------------------------------------|---|
| | Application Per Books | ORS's Proposed Accounting & Pro forma Adjustments | After ORS's Proposed Accounting & Pro forma Adjustments | Proposed Settlement Increase | After Proposed Settlement Increase |
| <u>Operating Revenues</u> | | | | | |
| Customer Billings | \$ 8,951 | \$ (107) (A) | \$ 8,844 | \$ 3,467 (K) | \$ 12,311 |
| Tap Fees | 500 | (500) (B) | 0 | 0 | 0 |
| <u>Total Operating Revenues</u> | \$ 9,451 | \$ (607) | \$ 8,844 | \$ 3,467 | \$ 12,311 |
| <u>Operating Expenses</u> | | | | | |
| Electricity | \$ 804 | \$ (24) (C) | \$ 780 | \$ 0 | \$ 780 |
| Meter Reading | 600 | (600) (D) | 0 | 0 | 0 |
| Taxes Other Than Income | 69 | (5) (E) | 64 | 24 (L) | 88 |
| Licenses | 200 | (115) (F) | 85 | 0 | 85 |
| Depreciation | 275 | (272) (G) | 3 | 0 | 3 |
| Lab Fees | 870 | (90) (H) | 780 | 0 | 780 |
| Drinking Water | 889 | 0 | 889 | 0 | 889 |
| Overhead Allocation | 6,999 | (3,133) (I) | 3,866 | 0 | 3,866 |
| Rate Case | 0 | 3,435 (J) | 3,435 | 0 | 3,435 |
| Income Taxes (State and Federal) | 0 | 0 | 0 | 459 (M) | 459 |
| <u>Total Operating Expenses</u> | \$ 10,706 | \$ (804) | \$ 9,902 | \$ 483 | \$ 10,385 |
| <u>Net Operating Income (Loss) for Return</u> | \$ (1,255) | \$ 197 | \$ (1,058) | \$ 2,984 | \$ 1,926 |
| <u>Operating Margin</u> | -13.26% | | -11.86% | | 15.64% |

MAY RIVER PLANTATION POA
PRO FORMA OPERATING STATEMENT

ESTIMATED ANNUAL INCOME (per ORS proposed adjustment to revenue of May
River Water Company in 2009) 12,465

ANNUAL EXPENSES

| | |
|--|------------|
| D Operator (@ \$179 per month) (includes required weekly site inspection, monthly sampling, and line flushing as required by DHEC) | 2,148 |
| Monthly coliform test (General Environmental Labs) | 900 |
| Bi-monthly meter reading (\$120 per reading @ six times per year) | 690 |
| Billing (\$100 per billing @ six times per year) | 600 |
| Maintenance & Repairs (including 24/7 on call) | 1,200 |
| Insurance (preliminary quote) | 3,300 |
| Annual State Drinking Water Fee | 889 |
| <u>Electric</u> | <u>800</u> |
| Total Estimated Annual Expenses | 10,527 |

ESTIMATED ANNUAL OPERATING INCOME 1,938

NOTE: While operating income of \$1,000 to \$2,000 per annum will be adequate to fund equipment replacement over the long term, special assessments may be required in the event of equipment failures before adequate reserves are accumulated.

BOARD:
Paul C. Aughtery, III
Chairman
Edwin H. Cooper, III
Vice Chairman
Steven G. Kinser
Secretary



C. Earl Hunter, Commissioner

Promoting and protecting the health of the public and the environment

Bureau of Water
November 29, 2010

BOARD:
Henry C. Scott
M. David Mitchell, MD
Glenn A. McCall
Coleman F. Buckhouse, MD

CERTIFIED MAIL 91 7108 2133 3938 7547 4803
RETURN RECEIPT REQUESTED

May River Water Company, Inc.
May River Plantation
Attn: Tom Smith
621 Stephenson Avenue
Savannah, Georgia 31416

Re: **Warning Letter**
May River Water Company, Inc.
May River Plantation Public Water System No. 0750005
Beaufort County

Dear Mr. Smith:

May River Water Company, Inc. (Respondent) owns and is responsible for the proper operation and maintenance of the May River Plantation public water system No. 0750005 (PWS) that serves the residents of the May River Plantation located in Beaufort County, South Carolina. On October 20, 2010, Department staff conducted a sanitary survey of the PWS which resulted in an "unsatisfactory" rating due to the following deficiencies:

- A. Staffing was rated "unsatisfactory" in that the Respondent did not conduct well head and storage tank inspections at the PWS a minimum of once a week.
- B. Corrections from Previous Survey was rated "unsatisfactory" in that the failure to conduct well head and storage tank inspections at the PWS a minimum of once a week deficiency was documented on the October 23, 2009 sanitary survey.

At least one (1) of the above noted deficiencies constitutes a significant deficiency under the Ground Water Rule.

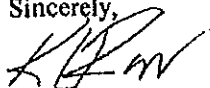
The Respondent is in violation of the State Primary Drinking Water Regulations, 24A S.C. Code Ann. Regs. 61-58.7(D)(1) (Supp. 2009) which states that all well heads and associated piping shall be inspected at a minimum of once a week; and 61-58.7(E)(2) (Supp. 2009) which states that all elevated, hydropneumatic and ground storage tanks shall be inspected at a minimum of once a week.

On November 16, 2010, Department staff contacted the Respondent by telephone concerning the violations and the Respondent stated that the well head and associated piping, and the storage tank at the PWS would be inspected at least once a week (every Monday following the weekly management meeting). The Respondent also sent a current copy of the well head inspection log.

After careful consideration of all relevant information, the Department has determined that this Warning Letter would be appropriate regarding the violations of the State Primary Drinking Water Regulations.

Please be advised that any future violations of the State Primary Drinking Water Regulations may result in further enforcement actions, including the assessment of civil penalties. If you have any questions regarding this notice, please do not hesitate to contact me at (803) 898-4271.

Sincerely,



Karen L. Ramos
Bureau of Water
Drinking Water Enforcement Section
SCDHEC

cc: Penny Cornett, Region 8 - Beaufort EQC office SCDHEC
Benjamin Mustian, Esq. (reg. agent for Respondent) 930 Richland Street Columbia, SC 29202
(via certified mailing No. 91 7108 2133 3938 7547 4797)

BEFORE
THE PUBLIC SERVICE COMMISSION
OF
SOUTH CAROLINA

Docket No. 2010-132-W

IN RE: Application of May River Water Company, Inc.)
 for Adjustment of Rates and Charges and)
 Modification to Certain Terms and Conditions)
 for the Provision of Water Service)
_____)

**CERTIFICATE OF
SERVICE**

I, Rebecca W. Martin, do hereby certify that I have this date served one (1) copy of the attached Prefiled Testimony of Joseph Highsmith upon the following parties causing said copies to be deposited with the United States Postal Service, first class postage prepaid and properly affixed thereto, and addressed as follows:

Thomas A. Smith, III, Manager
May River Water Company, Inc.
Post Office Box 13705
Savannah, Georgia 31416

Shealy Boland Reibold, Esquire
Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, South Carolina 29201

Jeffrey M. Nelson, Esquire
Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, South Carolina 29201

Benjamin P. Mustian, Esquire
Willoughby & Hoefer, P.A.
Post Office Box 8416
Columbia, South Carolina 29202



Rebecca W. Martin, Legal Assistant
McNAIR LAW FIRM, P.A.
Post Office Box 11390
Columbia, South Carolina 29211
(803) 799-9800

December 10, 2010

Columbia, South Carolina